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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

December 1, 2015

CERTIFIED RETURN RECEIPT
7013 3020 0002 3659 6535

Nicholas Lott
American Gilsonite Company
29950 South Bonanza Highway
Bonanza, Utah 84008

Subject: Conditional Approval of Permit Transfer and Division Directive to Post Surety, Neal State 1,2, & 3 Mine, Ziegler Chemical and Mineral Corporation, S/047/0063, Uintah County, Utah

Dear Mr. Lott:

The Division of Oil, Gas and Mining approves the transfer of the Neal State 1, 2, and 3 mine from Ziegler Chemical and Mineral Corporation to American Gilsonite Company conditional on the following items. Prior to final approval, American Gilsonite must provide:

1. Reclamation surety in the amount of \$42,324.00 which is an increase of \$11,524.00 over the amount Ziegler has provided (\$30,800.00).
2. A notarized reclamation contract signed by an officer of American Gilsonite Company.

The basis for the surety amount is shown on the enclosed spreadsheet and is also discussed in the report for an inspection conducted May 6, 2015, also enclosed. The current bonding rate for a prototype Gilsonite mine setup, that has been accepted by American Gilsonite and the Division, is reflected in the spreadsheet.

Please provide the surety and reclamation contract no later than December 31, 2015.

Please refer to file S/47/0063 in any correspondence regarding this operation. Please contact April Abate at 801-538-5214 or me at 801-538-5261 if you have questions regarding this approval.

Sincerely,

Paul Baker

Minerals Program Manager

PBB:aa:pb

Enclosures: Inspection report and reclamation cost estimate

cc: Chip Ziegler, Ziegler Chemical Corporation (chip@zieglerchemical.com)

Jerry Mansfield, SITLA (jmansfield@utah.gov)

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